

FINANCIAL STATEMENTSJACKSON PARISH HOSPITALSEPTEMBER 30, 2006 AND 2005

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Release Date 4-18-07

FINANCIAL STATEMENTS

JACKSON PARISH HOSPITAL

SEPTEMBER 30, 2006 AND 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the financial statements of Jackson Parish Hospital, Service District No. 1, dba Jackson Parish Hospital (Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of September 30, 2006 and 2005, and the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

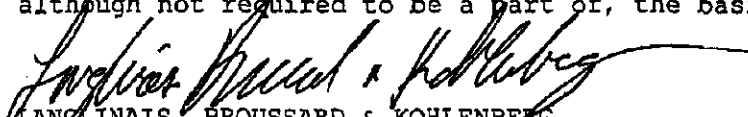
We conducted our audit in accordance with generally accepted auditing standards of the United States and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, at September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The Hospital has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", as of October 1, 2003.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jackson Parish Hospital has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.


LANGLAIS, BROUSSARD & KOHLENBERG
Certified Public Accountants

December 6, 2006

JACKSON PARISH HOSPITAL

STATEMENT OF NET ASSETS

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$137,107	\$63,569
Accounts receivables, less allowance for doubtful accounts of \$2,489,326 in 2006 and \$1,876,013 in 2005	2,106,189	2,085,378
Other Receivables	41,920	12,873
Inventories	344,205	307,987
Prepaid expenses	9,329	40,488
 Total Current Assets	 <u>2,638,750</u>	 <u>2,510,295</u>
 ASSETS WHOSE USE IS LIMITED:		
By bond indenture agreement		
Cash	<u>4,668</u>	<u>4,495</u>
 Total assets whose use is limited	 <u>4,668</u>	 <u>4,495</u>
 PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, cost	6,096,752	6,059,210
Less accumulated depreciation	<u>(4,831,056)</u>	<u>(4,665,125)</u>
Total Property and Equipment	<u>1,265,696</u>	<u>1,394,085</u>
 TOTAL ASSETS	 <u>\$3,909,114</u>	 <u>\$3,908,875</u>

JACKSON PARISH HOSPITAL

STATEMENT A

SEPTEMBER 30,

<u>LIABILITIES AND NET ASSETS:</u>	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$463,679	\$425,548
Note payable	479,270	68,118
Accounts payable	328,658	508,418
Property taxes paid under protest	10,967	5,312
Due to third party payors	396,852	558,820
Accrued salaries and related withholdings	378,079	305,023
Interest payable	11,135	3,920
Total Current Liabilities	<u>2,068,640</u>	<u>1,875,159</u>
LONG-TERM LIABILITIES:		
Long-Term Debt:		
General Obligation issue 1999	635,000	916,000
Medicare/Medicaid Repayment Plan	146,918	300,630
Total Long-Term Liabilities	<u>781,918</u>	<u>1,216,630</u>
TOTAL LIABILITIES	<u>2,850,558</u>	<u>3,091,789</u>
NET ASSETS		
Invested in Capital Net of Related Debt	1,265,697	1,394,085
Restricted: Debt Service	4,668	4,495
Unrestricted	(211,809)	(581,494)
TOTAL NET ASSETS	<u>1,058,556</u>	<u>817,086</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$3,909,114</u>	<u>\$3,908,875</u>

The accompanying notes are an integral part of these financial statements

JACKSON PARISH HOSPITAL

STATEMENT B

STATEMENTS OF ACTIVITIESYEAR ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Net patient service revenues	\$9,316,347	\$8,310,766
Other operating revenue	<u>1,934,125</u>	<u>1,970,605</u>
Total Operating Revenues	<u>11,250,472</u>	<u>10,281,371</u>
OPERATING EXPENSES:		
Professional services	6,301,561	5,696,152
General and administrative	3,108,732	2,927,874
Depreciation and amortization	165,930	179,208
Provision for doubtful accounts	<u>2,392,503</u>	<u>1,618,479</u>
Total Operating Expenses	<u>11,968,726</u>	<u>10,421,713</u>
INCOME (LOSS) FROM OPERATIONS	<u>(718,254)</u>	<u>(140,342)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	157,550	143,135
Interest expense	(93,979)	(79,335)
Rent payments	22,590	24,868
Ad valorem taxes	<u>873,563</u>	<u>633,195</u>
Total Non-Operating Revenues (Expenses)	<u>959,724</u>	<u>721,863</u>
CHANGE IN NET ASSETS	<u>241,470</u>	<u>581,521</u>
TOTAL NET ASSETS, BEGINNING	<u>817,086</u>	<u>235,565</u>
TOTAL NET ASSETS, ENDING	<u>\$1,058,556</u>	<u>\$817,086</u>

The accompanying notes are an integral part of these financial statements

JACKSON PARISH HOSPITAL

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients	\$ 11,038,646	\$ 9,595,327
Cash payments to suppliers for goods and services	(6,784,421)	(5,360,880)
Cash payments to employees for services	(5,117,024)	(4,688,622)
Net Cash Flow from Operating Activities	<u>(862,799)</u>	<u>(454,175)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Ad valorem taxes	<u>873,563</u>	<u>633,195</u>
Net Cash Provided by Investing Activities	<u>873,563</u>	<u>633,195</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES:		
Proceeds from sale of fixed assets	245	188
Purchase of fixed assets	(37,542)	-
Proceeds from long term debt	535,574	695,669
Principal payments on long-term debt	(521,319)	(950,205)
Interest payments on long-term debt	(93,979)	(79,335)
Net Cash Used in Capital and Related Financial Activities	<u>(117,021)</u>	<u>(333,683)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	157,550	143,135
Rental income received	22,590	24,868
Cash invested in assets whose use is limited	(173)	(124)
Net Cash Provided by Financing Activities	<u>179,967</u>	<u>167,879</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	73,710	13,216
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR, INCLUDING \$4,495 AND \$4,371 LIMITED AS TO USE FOR 2006 AND 2005, RESPECTIVELY	<u>68,064</u>	<u>54,848</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING \$4,668 AND \$4,495 LIMITED AS TO USE FOR 2006 AND 2005, RESPECTIVELY	<u>\$ 141,774</u>	<u>\$ 68,064</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ (718,254)	\$ (140,342)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	165,930	179,208
Provision for doubtful accounts	2,392,503	1,618,479
Gain on sale of assets	245	188
Increase in receivables and due from third parties	(2,604,328)	(2,301,524)
Increase in inventories and prepaid expenses	(5,059)	(36,719)
Increase (Decrease) in accounts payable and accrued expenses	(93,836)	226,535
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (862,799)</u>	<u>\$ (454,175)</u>

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Jackson Parish Hospital Service District No. 1 (the Hospital) was created in 1950, by the Parish Government of Jackson Parish, Louisiana to operate, control, and manage matters concerning the parish's health care functions. The Jackson Parish Police Jury appoints the Board of Commissioners of the Hospital, and the Hospital may not issue debt without the Parish's approval. For this reason, the Hospital is considered to be a component unit of the Jackson Parish Government, Jackson Parish, Louisiana.

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Costs of borrowing. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either the fiscal year ended September 30, 2006 and 2005.

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Cash and cash equivalents. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Advalorem Taxes. The Hospital received approximately 7.0 percent in 2006, and 5.7 percent in 2005, of its financial support from ad valorem taxes. Current taxes are received beginning in October of each year and become delinquent after January 31, of the following year.

Risk Management. The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Accounting Standards. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments in debt and equity securities. Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive settlements are provided for in some of the governmental payment programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from third-party payors in the financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made.

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 61% and 63% of its gross patient service revenue in 2006 and 2005, respectively, from patients covered by the Medicare and Medicaid programs. Included in net patient service revenues for 2006 and 2005, is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$1,428,962 and \$753,455, respectively.

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 3: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare Inpatient services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2003.

Medicaid Medicaid inpatients are reimbursed a fixed rate per day for med/surg and psychiatric patients. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, with certain limitations and exceptions. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports filed by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2003.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, and preferred provider organizations. The basis for payment to the Hospital under some of these agreements includes prospectively determined daily rates.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows at September 30, 2006 and 2005:

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Land		\$ 28,900	\$ -	\$ -	\$ 28,900
Land improvements	5 - 25	182,448	-	-	182,448
Building	10 - 40	2,388,192	27,542	-	2,415,734
Fixed equipment	5 - 25	2,191,663	-	-	2,191,663
Movable equipment	5 - 25	1,248,666	10,000	-	1,258,666
Automobile	5	19,341	-	-	19,341
Total cost		6,059,210	37,542	-	6,096,752
Less accumulated depreciation		(4,665,125)	(165,931)	-	(4,831,056)
Net Property, Plant and Equipment		<u>\$1,394,085</u>	<u>\$ 128,389</u>	<u>\$ -</u>	<u>\$ 1,265,696</u>

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 5: LONG-TERM DEBT

Long-term debt at September 30, 2006 and 2005, consisted of the following:

	<u>2006</u>	<u>2005</u>
Note payable - Medicare, payable at 11.875% in monthly installments of \$17,723.29, with the last payment due April 13, 2008	\$ 329,597	\$ 466,178
Certificates of indebtedness, dated September 23, 1999 with an interest rate of 4.0%, maturing serially on March 1 of each year beginning in 1999, with interest payable on March 1 and September 1 of each year, with the final maturity March 1, 2009	<u>916,000</u>	<u>1,176,000</u>
Total long-term debt	1,245,597	1,642,178
Less current portion	<u>463,679</u>	<u>425,548</u>
Long-term portion	<u>\$ 781,918</u>	<u>\$ 1,216,630</u>

Under the terms of the Note Indentures, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements.

Scheduled repayments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 463,679	\$ 61,020	\$ 524,699
2008	451,918	26,914	478,832
2009	<u>330,000</u>	<u>6,600</u>	<u>336,600</u>
Total	<u>\$1,245,597</u>	<u>\$ 94,534</u>	<u>\$ 1,340,131</u>

NOTE 6: INVESTMENTS

Assets Limited as to Use

The composition of assets limited as to use at September 30, 2006 and 2005, is set forth in the following table. Investments are stated at fair value.

	<u>2006</u>	<u>2005</u>
Internally designated for capital acquisition:		
Cash and cash equivalents	<u>\$ 4,668</u>	<u>\$ 4,495</u>

Investment income and gains on assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ending September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Income:		
Interest income	<u>\$ 173</u>	<u>\$ 124</u>

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 7: CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was \$92,631 and \$87,097, for 2006 and 2005, respectively.

NOTE 8: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at September 30, 2006 and 2005, are as follows:

	<u>2006</u>	<u>2005</u>
Medicare	30%	25%
Medicaid	20	14
Commercial and other third-party payors	<u>50</u>	<u>61</u>
	<u>100%</u>	<u>100%</u>

NOTE 9: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resources Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 25% per year for years of service 2-5. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 3% of employee salaries, if the employee also contributes 3%. The Hospital contributed \$102,096 and \$106,275, for the years ended September 30, 2006 and 2005, respectively.

NOTE 10: UNCOMPENSATED CARE

The Hospital receives a disproportionate share payment for uncompensated care. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year.

NOTE 11: ASSETS LIMITED AS TO USE

Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at September 30, 2006 and 2005, is set forth in the following table.

	<u>2006</u>	<u>2005</u>
Under indenture agreement	4,668	4,495
Total	<u>\$ 4,668</u>	<u>\$ 4,495</u>

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments at September 30, 2006 and 2005, are as follows:

	<u>2006</u>		<u>2005</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 137,107	\$ 137,107	\$ 63,569	\$ 63,569
Assets limited as to use	\$ 4,668	\$ 4,668	\$ 4,495	\$ 4,495
Accounts payable and accrued expenses	\$ 728,837	\$ 728,837	\$ 822,672	\$ 822,672
Estimated receivable from third party payors	\$ 17,508	\$ 17,508	\$ 9,641	\$ 9,641
Estimated third-party payor settlements	\$ 396,852	\$ 396,852	\$ 558,820	\$ 558,820
Long-term debt	\$ 781,918	\$ 781,918	\$1,216,630	\$1,216,630

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 13: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At September 30, 2006 and 2005, the Hospital had bank balances as follows:

	<u>2006</u>	<u>2005</u>
Insured (FDIC)	\$ 100,000	\$100,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	<u>1,500,000</u>	<u>1,000,000</u>
Total	<u>\$1,600,000</u>	<u>\$1,100,000</u>
Carrying Value	<u>\$ 278,272</u>	<u>\$ 164,487</u>

NOTE 14: GASB Statement No. 34

During fiscal year 2003, the Hospital implemented GASB Statement No. 34, "Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, note, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

NOTE 15: TAXES PAID UNDER PROTEST

Act No. 1149 of the Regular Session 2001, Amended La. R.S. 47:1856(E) to provide as follows: Any company instituting suit under these provisions [La. R.S. 47:1856] shall timely pay in full its taxes in the jurisdiction from which its tax bill emanates. Any funds received as payment of taxes under the provisions of this Subsection shall be used only for non-recurring expenses except for any such funds pledged as security for any bonds or other evidences of indebtedness and for any such funds when the proposition approving the millage provides specifically for another intended purpose. The governing authority of any jurisdiction shall

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006 and 2005

NOTE 15: TAXES PAID UNDER PROTEST (cont)

not use any such funds for nonrecurring expenses in a manner which will displace, replace or supplant funds which were otherwise available for such nonrecurring expenses.

Further, La. R.S. 47:1856(F)(1)(a)(i) provides that if the assessed valuation finally determined by the Court is less than the amount determined by the Louisiana Tax Commission, the protesting public service company is entitled to a credit against future property taxes in each jurisdiction affected, or refund in cash from each jurisdiction affected. If the company chooses a refund, a refund is required to be paid by the Tax Collector of each affected jurisdiction from current tax collections and in no event will the refund be paid later than 90 days from the date in which the judgment is entered and becomes final, and interest shall be credited thereon at the minimum rate as provided by La. R.S. 39:1217.1 Taxes paid under protest at September 30, 2006 and 2005, were \$10,967 and \$5,312, respectively.

NOTE 16: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence.

The courts have not tested the constitutionality of this legislation, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital.

NOTE 17: CRITICAL ACCESS STATUS

Effective November 1, 2004, Jackson Parish Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows states to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payment for inpatient and outpatient services under this program is on the basis of reasonable cost.

JACKSON PARISH HOSPITAL

SCHEDULES OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>
INPATIENT SERVICE REVENUES		
Daily Patient Services:		
Room and Board	<u>\$2,980,969</u>	<u>\$2,534,797</u>
Total	<u>2,980,969</u>	<u>2,534,797</u>
Other Nursing Services:		
Operating room	61,580	62,787
Central supplies	4,788	8,149
Emergency service	<u>276,282</u>	<u>521,698</u>
Total	<u>342,650</u>	<u>592,634</u>
Other Professional Services:		
Respiratory	1,975,567	1,704,476
Anesthesiology	63,206	47,577
Laboratory	1,246,604	991,816
Therapy services	84,821	0
Blood	125,438	127,500
Radiology	1,047,521	625,022
Pharmacy	<u>2,656,399</u>	<u>2,452,259</u>
Total	<u>7,199,556</u>	<u>5,948,650</u>
TOTAL INPATIENT SERVICE REVENUE	<u>10,523,175</u>	<u>9,076,081</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>
OUTPATIENT SERVICE REVENUES		
Other Nursing Services:		
Operating room	179,218	232,284
Central supplies	2,185	2,430
Emergency service	<u>3,193,024</u>	<u>3,303,520</u>
Total	<u>3,374,427</u>	<u>3,538,234</u>
Other Professional Services:		
Respiratory	496,818	699,685
Anesthesiology	98,667	110,197
Laboratory	1,982,694	1,629,605
Radiology	2,139,454	1,517,561
Pharmacy	761,377	762,129
Other	<u>29,975</u>	<u>34,727</u>
Total	<u>5,508,985</u>	<u>4,753,904</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>8,883,412</u>	<u>8,292,138</u>
GROSS PATIENT SERVICE REVENUE	19,406,587	17,368,219
Less Contractual Adjustments	<u>11,519,202</u>	<u>9,810,908</u>
Net Patient Service Revenue before Uncompensated Care	7,887,385	7,557,311
Medicaid Uncompensated Care	<u>1,428,962</u>	<u>753,455</u>
NET PATIENT SERVICE REVENUE	<u>\$9,316,347</u>	<u>\$8,310,766</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF OTHER OPERATING REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>
OTHER OPERATING REVENUES		
Physicians offices	\$992,476	\$867,651
Clinics	589,645	906,194
Cafeteria and vendor sales	22,469	20,162
Grant revenue	131,582	138,012
Medical records	110	170
Other	197,843	38,416
Total	<u>\$1,934,125</u>	<u>\$1,970,605</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF PROFESSIONAL SERVICES

YEAR ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>
Salaries and Fees:		
Nursing	\$1,021,771	\$956,296
Respiratory	251,953	231,536
Operating room	41,581	66,086
Emergency room	1,050,101	896,456
Laboratory	471,254	436,325
Radiology	311,336	276,230
Pharmacy	154,966	155,748
Anesthesiology	62,235	68,034
Central supply	42,162	40,744
Clinics	<u>1,052,115</u>	<u>894,039</u>
Total Salaries and Fees	<u>4,459,474</u>	<u>4,021,494</u>
Supplies and Other Expenses:		
Nursing	305,866	191,642
Respiratory	72,331	57,520
Operating room	11,791	34,886
Emergency room	84,533	65,666
Laboratory	389,075	375,795
Radiology	185,590	188,652
Pharmacy	589,742	523,180
Anesthesiology	5,191	8,530
Central supply	12,223	28
Blood	43,657	55,701
Clinics	<u>142,088</u>	<u>173,058</u>
Total Supplies and Other Expenses	<u>1,842,087</u>	<u>1,674,658</u>
Total Professional Services	<u>\$6,301,561</u>	<u>\$5,696,152</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF GENERAL AND ADMINISTRATIVE

YEAR ENDED SEPTEMBER 30,

	<u>2006</u>	<u>2005</u>
Salaries and Fees:		
Administrative	\$443,140	\$381,765
Maintenance	173,387	210,280
Housekeeping	128,426	127,525
Medical records	108,373	103,445
Dietary	<u>126,587</u>	<u>128,542</u>
Total Salaries and Fees	<u>979,913</u>	<u>951,557</u>
Administrative	1,471,723	1,351,698
Maintenance	442,572	448,660
Housekeeping	103,359	75,518
Medical records	25,273	21,527
Dietary	<u>85,892</u>	<u>78,914</u>
Total Supplies and Other Expenses	<u>2,128,819</u>	<u>1,976,317</u>
Total General and Administrative Services	<u>\$3,108,732</u>	<u>\$2,927,874</u>

JACKSON PARISH HOSPITAL

SCHEDULE OF GOVERNING BOARD EXPENSES

YEAR ENDED SEPTEMBER 30,

	<u>2006</u>		<u>2005</u>	
	<u>NUMBER OF</u>		<u>NUMBER OF</u>	
	<u>MEETINGS</u>		<u>MEETINGS</u>	
	<u>ATTENDED</u>	<u>COMPENSATION</u>	<u>ATTENDED</u>	<u>COMPENSATION</u>
Barbara Johns	10	\$ 440	7	\$ 280
Henry Kimp	3	120	12	480
Harold Thomas	-	-	2	80
Sharron Mosley	-	-	12	480
Todd Culpepper	11	-	-	-
Fannie Williams	12	-	-	-
Claudean Cartwright	9	-	-	-
Lonnie Menzina	8	-	-	-
Larry Ayres	8	-	-	-
Debra Jackson	4	-	-	-

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the financial statements of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2006 and 2005, and issued our report thereon dated December 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Jackson Parish Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Jackson Parish Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Valuation of assets Commercial accounts receivable of the Hospital are getting "older." According to the aging of accounts receivable, commercial accounts over 150 days comprised 21% of total commercial receivables in 2005, however the same category comprised 40% of total commercial receivables in 2006.

This report is intended for the information of Jackson Parish Hospital and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



Laglinais, Broussard & Kohlenberg
Certified Public Accountants

December 6, 2006

**LANGLINNAIS
BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



Glen P. Langlinais, C.P.A.
Michael P. Broussard, C.P.A.
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.
Gayle L. Falcon, C.P.A.

Patrick M. Guldry, C.P.A.
Ashley V. Breaux, C.P.A.

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

In planning and performing our audit of the financial statements of Jackson Parish Hospital, Service District No. 1, a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2006 and 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted a certain matter involving the internal control and its operation that we consider to be a reportable condition under the standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

VALUATION OF ASSETS

Commercial accounts receivable of the hospital are getting "older". According to the aging of accounts receivable, commercial accounts over 150 days old comprised 21% of total commercial receivables in 2005, however the same category comprised 40% of total commercial receivables in 2006.


We recommend that Management investigate the reasons for the growth in account balances over 150 days and initiate procedures to either timely obtain payment for these accounts and/or increase the reserve percentage in these accounts, as collection does not appear likely.

We also recommend that the hospital calculate payment percentages based upon the last four to six months remittance history with specific adjustment for unique changes, e.g. price increases, contract term changes, etc. These percentages should then be used to estimate related contractual adjustments and allowances.

This report is intended for the information of the management and the Board of Commissioners of the Hospital, the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,


Langlinais, Broussard & Kohlenberg
Certified Public Accountants

December 6, 2006



Jackson Parish Hospital "Partners for Life"
165 Beech Springs Road . Jonesboro, Louisiana 71251. Telephone 318-259-4435
An Affiliate of St. Francis Medical Center www.jacksonparishhospital.com

March 19, 2007

To: Legislative Audit Advisory Council
State of Louisiana
PO Box 94397
Baton Rouge, La. 70804-9397

Re: Reportable Condition contained in the Audit Report for Fiscal Year Ending
September 30, 2006

Dear Council:

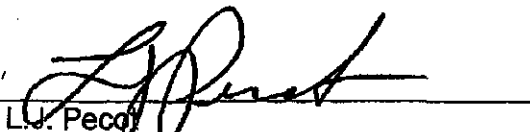
With reference to the Reportable Condition mentioned in the Audited Financial report for
Fiscal Year ending September 30, 2006, the following action has been taken:


In addressing the aging of the Hospital's Accounts Receivable, Management has
increased FTEs in the billing department from three (3) to six (6).

In addition, a "Billing Manager" position has been filled in order to manage the biller's
productivity and report to Management as well as the Hospital's Board of Commissioners.

If additional information is necessary, please advise and it will be promptly submitted.

Sincerely,



L.J. Pecot
CEO, Administrator

David L. Sanders
CFO

cc: Chris Kohlenberg, CPA, Langlinais Broussard & Kohlenberg